



FAIR AND EFFECTIVE
MARKETS REVIEW

Fair and Effective Markets Review

Progress Report

Report to the Chancellor of the Exchequer,
the Governor of the Bank of England and the
Chair of the Financial Conduct Authority

May 2018

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Foreword

Almost three years ago, the Fair and Effective Markets Review (FEMR) published its final recommendations aiming to restore trust in Fixed Income, Currency and Commodities (FICC) markets.

These markets have a real impact on individuals, households and businesses. They underpin borrowing costs, exchange rates, and the cost of food and raw materials, and they help firms and households manage financial risks and investments. This is why it is important these markets function effectively, underpinned by robust infrastructures, with market practitioners held to the highest standards.

The United Kingdom plays a leading role in global financial markets, hosting 40% of both global FX volumes and trades in OTC interest rate derivatives, and two thirds of trading in international bonds. Given London's position as a pre-eminent global financial centre, the UK has a particular responsibility to lead the way in setting high standards and promoting fairer and more effective markets. The UK authorities and market participants have taken this responsibility seriously which is why the UK has delivered a comprehensive set of initiatives to deliver fairer and more effective markets.

We are reassured by the response to the FEMR initiatives. Significant progress has been made since the June 2016 implementation report. We commend the efforts by firms, individually and collectively, to drive higher standards in global FICC markets and we encourage market participants to maintain this impetus. We are now starting to see how the initiatives are bedding in and it is important that we take the opportunity to reflect on their impact. A summary of our findings is outlined below and a fuller report is attached.

- a. FEMR made a number of recommendations to strengthen individual accountability, namely the extension of the Senior Managers and Certification Regimes (SM&CR) to a wider set of financial institutions and mandating regulatory references. Our initial findings are that the SM&CR is achieving its policy intent to promote better governance and clearer individual responsibility in the banks, building societies, credit unions and PRA-designated investment firms it already applies to. The Government has legislated to extend the SM&CR to all other authorised financial services firms. As a first step, the Government will extend the Regime to insurance firms from 10 December 2018. We are encouraged by the number of other jurisdictions that are implementing similar policies, and elements of the UK's regimes were used as examples in a toolkit issued by the Financial Stability Board (FSB).
- b. FEMR initiatives are helping to raise standards in global FICC markets. The Bank of England (the Bank), the Financial Conduct Authority (FCA), and market participants have strongly supported the development of the FX Global Code and played a leading role in the Global FX Committee (GFXC). Over 150 market participants have already made a Statement of Commitment to the Code less than one year after its launch, with over 80% of these statements made by private sector market participants. The GFXC has taken a proactive approach to keeping the Code relevant as the market evolves. We continue to support the efforts of central banks and the private sector to develop and embed principles for good practice in the FX market.
- c. The FICC Markets Standards Board (FMSB) has been established with participation from across industry. The FMSB has already produced a number of standards and statements of good practices, with more in the pipeline. Practical guidance on market practices can play a useful role in preventing wrongdoing by filling in 'grey' areas. We continue to encourage the FMSB to consider where additional guidance could help to raise standards.
- d. The Bank and the FCA are supporting forward-looking initiatives to identify and mitigate risks. A Fair and Effective Markets Reform team has been created to act as a central hub on issues relating to the fairness and effectiveness of FICC markets, scan the horizon for potential or emerging vulnerabilities, and stand ready to help catalyse market-led reforms held back by private sector co-ordination failures.
- e. The FCA, as the conduct regulator, is looking to be more forward looking and pre-emptive in its supervisory approach, as outlined in its *Approach to Supervision* document, and demonstrated by its sector view process and several new supervisory and market oversight work projects. This includes looking at the conduct of individual firms and how markets are evolving. The FCA has also used its new competition powers to promote choice, diversity and access in wholesale FICC markets by monitoring and acting on potential anti-competitive structures or behaviour.

- f. One of the catalysts for FEMR was the attempted manipulation of Libor and other benchmarks. Following these cases, UK authorities took prompt action by establishing the first regulatory regime for financial markets benchmarks. HM Treasury introduced a criminal offence for manipulating a benchmark. The scope of this regime was initially limited to Libor, and expanded in 2014, following the FEMR recommendation to bring seven additional major FICC market benchmarks into the regime.
- g. Significant work has been undertaken to catalyse market-led benchmark reform. The work to transition markets away from Libor is a key initiative where authorities and market participants have come together to develop and implement solutions. The market-led working group has announced SONIA as their preferred near risk-free interest rate benchmark and is working towards a broad-based transition to SONIA over the next four years. The Bank became the administrator of the reformed SONIA benchmark in April 2018.

Taken together, these initiatives will help to restore trust in FICC markets, but the spirit and intention behind FEMR is that continual focus is required. As FICC markets continue to evolve, we must remain vigilant to ensure market practices and standards keep up with innovation, and market infrastructures remain effective and robust to manipulation. Industry remains at the heart of scanning the landscape for future risks.

The Bank's Markets Forum 2018 will provide a platform for leaders from industry and the authorities to come together to discuss emerging challenges and opportunities in global FICC markets. We hope this conference will help to sustain a productive dialogue on identifying potential risks and providing solutions to emerging vulnerabilities so that we can continue to build fairer and more effective markets.



Charles Roxburgh
HM Treasury



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May 2018

1 Introduction

1 The Fair and Effective Markets Review (FEMR) was launched by the Chancellor of the Exchequer and the Governor of the Bank of England in June 2014 to reinforce confidence in the wholesale Fixed Income, Currency and Commodities (FICC) markets in the wake of the serious misconduct seen in recent years; and to influence the international debate on trading practices.

2 On 10 June 2015, the Review published its Final Report.⁽¹⁾ This provided an analysis of the root causes of recent misconduct and other sources of unfairness or ineffective operation in FICC markets; evaluated the impact of the significant reforms that were already under way; and set out 21 recommendations to:

- raise standards, professionalism and accountability of individuals;
- improve the quality, clarity and market-wide understanding of FICC trading practices;
- strengthen regulation of FICC markets in the UK;
- launch international action to raise standards in global FICC markets;
- promote fairer FICC market structures while also enhancing effectiveness; and
- promote forward-looking conduct risk identification and mitigation.

3 In June 2016, the Bank, FCA and HM Treasury published an Implementation Report⁽²⁾ setting out the significant progress made in implementing the 21 recommendations of FEMR.

4 Almost, three years have passed since the Review published its recommendations and we are now starting to see the impact these initiatives are having on the fairness and effectiveness of FICC markets. This Progress Report sets out an initial assessment of the impact of the Review's recommendations, and additional work done, in the following areas: strengthening individual accountability; improving market standards; embedding a forward-looking approach to FICC markets; and, strengthening benchmarks.

(1) For the Fair and Effective Markets Review Final Report see www.bankofengland.co.uk/-/media/boe/files/report/2015/fair-and-effective-markets-review-final-report.pdf.

(2) For the Fair and Effective Markets Review Implementation Report see www.bankofengland.co.uk/-/media/boe/files/report/2016/fair-and-effective-markets-review-implementation-report.pdf.

2 Review of progress

2.1 Strengthening individual accountability

Senior Managers and Certification Regimes and regulatory references

5 A series of high-profile abuses involving, among other things, the attempted manipulation of benchmarks, collusion, the alleged misuse of confidential information, and the misleading of clients about the nature of assets sold to them, revealed a lack of individual accountability and a lack of clarity on what standards on market conduct meant in practice.

6 In response, FEMR made three recommendations: first that the FCA and Prudential Regulation Authority (PRA) consult on a mandatory form for regulatory references; second, to extend the SM&CR to a wider range of regulated firms; and third, that firms and regulators monitor compliance with all standards — formal and voluntary — under the SM&CR to ensure effective adherence mechanisms. These reforms aim to promote individual responsibility by putting in place mechanisms to ensure individuals are held to account for committing misconduct themselves and for misconduct that occurs on their watch.

7 Our initial findings are that the SM&CR is achieving its policy intent to promote better governance and clearer individual responsibility in the banks, building societies, credit unions and PRA-designated investment firms it already applies to. The Government has legislated to extend the SM&CR to all other FSMA-authorized financial services firms; approximately 47,000 firms. As a first step, the Government will extend the Regime to insurance firms from 10 December 2018 and will confirm when the Regime will be extended to firms regulated solely by the FCA in due course.

8 In 2017, the FCA and PRA consulted on the proposed design of the extended Regime. We have been considering responses to these consultations and intend to publish final rules in Summer 2018. As part of this, we will also publish a guide to help firms understand the Regime, our requirements and the intended outcomes.

9 Anecdotal evidence suggests that the Accountability Regimes⁽³⁾ are encouraging positive behavioural changes through a clear allocation of individual responsibilities to key decision-makers, increasing effective challenge by non-executive directors (NEDs) and more formalised legal entity governance within groups.

10 Initial findings by the PRA through firm-level engagement found that continuous use of new tools, by supervisors and firms, such as Statements of Responsibilities and Management Responsibility Maps have supported 'deeper dives' into governance issues. Firms are able to test the effectiveness of senior management by conducting 'stress-test' scenarios, based upon a known risk crystallising and tracing the decision-making process. This demonstrates that firms are taking steps to ensure they are clear on reporting lines in normal and stressed times.

11 Firms' formal certification of material risk-takers and key front-line staff as fit and proper is helping to raise the bar on expected conduct standards. The first round of certification identified good practices including: pooling employee data from internal sources; integrating certification with related HR processes, including decisions on variable remuneration; and balancing discretion and judgement with consistency and quality assurance.

12 Mandatory regulatory references improve firms' ability to investigate an individual's past conduct as part of the recruitment process and thus tackle the so-called 'rolling bad apples' problem. The FCA and PRA have now implemented rules and mandated a template⁽⁴⁾ for regulatory references to facilitate a framework for sharing information across firms. Firms will be required to share information on breaches of individual conduct rules, firm's fitness and propriety assessments and outcomes around subsequent disciplinary proceedings.

13 To help firms adhere to, and monitor compliance with, voluntary codes (such as the FX Global Code), in November 2017 the FCA consulted on proposals to recognise industry codes publicly under the SM&CR. This is designed to encourage the development and adoption of good-quality market codes that help define proper standards of market conduct.

14 The key principles underpinning the SM&CR are having increasing resonance internationally. The FCA and PRA participated actively in the FSB Working Group on Governance Frameworks and a report on Strengthening Governance

(3) The Senior Managers and Certification Regimes (SM&CR), the Senior Insurance Managers Regime (SIMR), Regulatory References and Conduct Rules are jointly referred to as the Accountability Regimes.

(4) The template for regulatory references can be found at www.handbook.fca.org.uk/handbook/SYSC/22/Annex1.html.

Frameworks to Mitigate Misconduct Risk was published on 20 April 2018.⁽⁵⁾ The report centres on a toolkit which illustrates a number of measures that could be taken to promote individual accountability and counter the 'rolling bad apples' phenomenon.

15 Other jurisdictions are also applying similar principles and features to the SM&CR: the Hong Kong Securities and Futures Commission implemented a Manager in Charge Regime (MICR); the Australian Parliament has recently passed legislation establishing a Bank Executive Accountability Regime (BEAR); and the Monetary Authority of Singapore has published Proposed Guidelines on Individual Accountability and Conduct.

2.2 Improving market standards

Raising standards in global foreign exchange markets

16 FEMR called for greater clarity and understanding of market-wide standards for trading practices in spot foreign exchange (FX) markets, given past misconduct and the global significance of this market. In 2015, the BIS Markets Committee set up the Foreign Exchange Working Group consisting of central banks from across 16 jurisdictions and a range of private sector market participants.

17 In May 2017, the working group launched the FX Global Code⁽⁶⁾ ('Code') and the Global Foreign Exchange Committee (GFXC). The Code is a set of global principles of good practice in the FX market, providing a common set of guidelines to promote the integrity and effective functioning of the wholesale FX market. The GFXC was established as a forum to bring together central banks and private sector participants to promote a robust, fair, liquid, open, and appropriately transparent FX market. The GFXC is responsible for the Code's ongoing maintenance.

18 The results of the first FX Global Code Survey undertaken in September 2017⁽⁷⁾ show that the Code is widely read in the market and there is widespread optimism that the Code will improve behaviours and market practices. Over 150 market participants have already made a Statement of Commitment to the Code less than one year after its launch, with over 80% of these statements made by private sector market participants.

19 The GFXC is also supporting market-led mechanisms to raise awareness of the Code and promote widespread adoption by market participants. For example, the GFXC is developing a 'Global Index of Registers' that will collate all Statements of Commitment published on relevant Public Registers and will go live by June 2018. In February 2018, the Bank published its own Statements of Commitment⁽⁸⁾ to the Code, and also to the UK Money Markets Code⁽⁹⁾ and Global Precious Metals Code.⁽¹⁰⁾

20 The GFXC published a Request for Feedback on Last Look practices in the FX Markets in May 2017 and subsequently revised the Code. From this feedback the GFXC identified three areas for further work and established three new working groups to conduct further study over the course of 2018: the role that 'cover and deal' and similar trading models play in the FX market; how market participants adjust their pricing on E-Trading Platforms and when trading by voice; and, disclosures regarding last look practices. These groups are co-led by one public sector and one private sector GFXC member to reflect the public-private joint approach of the wider GFXC.

Establishing the FICC Markets Standards Board (FMSB)

21 FEMR found that the lack of practical guidance within firms on what was acceptable and unacceptable market practice was contributing to occurrences of misconduct. In particular, there was a pressing need to identify more effective mechanisms to deliver: (i) better ways to keep market practices up to date as markets evolved; (ii) greater clarity and understanding of market-wide standards for trading practices in FICC markets; and (iii) stronger adherence by firms and their staff to those standards.

22 As a result, FEMR identified a need for industry to lead a stronger collective process and called for: *senior leadership of FICC market participants to create a new FICC Market Standards Board with participation from a broad cross-section of global and domestic firms and end-users at the most senior levels, and involving regular dialogue with authorities.*

23 The FMSB⁽¹¹⁾ has been established, with over 50 member institutions and over 200 senior market practitioners contributing to the development of standards and best practice. The breadth of its membership, which represents global issuers, asset managers, exchanges, custodians and investment banks, is intended to aid the development of credible standards that reflect the interests of the market as a whole.

24 The FMSB has already produced a number of Standards and Statements of Good Practice covering several issues,⁽¹²⁾

(5) The FSB Report on Strengthening Governance Frameworks to Mitigate Misconduct Risk can be found at www.fsb.org/wp-content/uploads/P200418.pdf.

(6) The FX Global Code can be found at www.globalfx.org/docs/fx_global.pdf.

(7) The GFXC Survey Results can be found at www.globalfx.org/docs/gfxc_survey_results_dec17.pdf.

(8) The Bank's Statements of Commitment to Market Codes can be found at www.bankofengland.co.uk/news/2018/february/statements-of-commitment-to-markets-code-of-conduct.

(9) The UK Money Markets Code can be found at www.bankofengland.co.uk/-/media/boe/files/markets/money-markets-committee/uk-money-markets-code.pdf.

(10) The Global Precious Metals Code can be found at www.lbma.org.uk/downloads/PMC2018.pdf.

(11) For further information on the FICC Market Standards Board see <http://fmsb.com/>.

(12) The three published FMSB standards cover the new bond issue process, binary options for commodities markets and reference price transactions. The four published FMSB Statements of Good Practice (SOGP) cover the monitoring of written electronic communication at firms, front office supervision, conduct training and surveillance in foreign exchange markets.

and has set itself an ambitious work programme: it has identified over 70 areas where it believes market practices could be clearer, which will shape its priorities over the next three years. Members must affirm adherence to FMSB standards annually. The Bank and FCA continue to work with the FMSB to consider where additional guidance and worked examples could raise standards.

25 The FMSB has also sought to internationalise its Standards through extensive outreach to international authorities and industry bodies.

2.3 Embedding a forward-looking approach to FICC markets

Catalysing reforms

26 FEMR identified several principles to guide a more forward-looking approach in FICC markets. One recommendation was that the *authorities should stand ready to help catalyse reforms held back by private sector co-ordination failures*. This is because individual market participants may lack incentives to contribute to the development and maintenance of market infrastructures, even where they are reliant on the services provided.

27 The Bank and FCA have set up a joint initiative to identify and review potential private sector co-ordination failures and a new team has been active in detailing and identifying actions needed to help catalyse market-led reform. This initiative draws on a number of sources, including thematic analysis of market intelligence collected by the authorities, open dialogue with the FMSB and the authorities' existing market committees.

28 This team is broadening its scope from the conduct-based issues that were the catalyst for FEMR, towards market structure issues where potential vulnerabilities could give rise to future misconduct. For example, the team has explored vulnerabilities in pricing and risk management practices in primary bond markets including potential conflicts of interest and limited transparency.

Forward-looking supervision

29 FEMR called for a new focus for FCA supervisors on FICC markets, to apply forward-looking supervisory approaches and, where necessary, identify early intervention measures that may prevent the later need to respond to issues through lengthy and costly enforcement investigations.

30 The FCA has recently published an *Approach to Supervision* document⁽¹³⁾ that outlines its forward-looking, strategic approach to supervisory work, which commits the FCA to look at the conduct of individual firms, and more broadly, at how markets are evolving. This approach aims to identify vulnerabilities at earlier stages, develop a thorough

understanding of firms' business models, and address key drivers of poor firm culture.

31 The FCA has published findings of market-based reviews around emerging risks such as the challenges of algorithmic trading compliance in wholesale markets.⁽¹⁴⁾ The FCA also undertook a review of market abuse controls in asset managers⁽¹⁵⁾ and is now reviewing how asset managers responded to these findings. More broadly, the FCA is looking at market abuse detection in fixed-income markets, managing conflicts of interest in primary bond markets and the impact of MiFID II wholesale conduct reforms and market structural changes.

32 MiFID II introduced a number of new provisions which are aligned with the promotion of fair and effective markets. For example, there have been enhancements to pre and post-trade transparency, use of dealing commissions, best execution, conflicts of interest management, commodity position limits and a transfer of over-the-counter (OTC) trading onto regulated trading venues (eg organised trading facilities). The FCA continues to play a key role in the supervision of these requirements across wholesale markets and ensuring these enhancements are embedded across the industry. Since the 2016 Market Abuse Regulation came into effect, the FCA has seen growing numbers of Suspicious Transaction and Order Reports (STORs), which provide a useful source of intelligence that assist regulatory detection of misconduct and market abuse.

33 Finally, FEMR recommended that the FCA use its new competition remit and powers to promote choice, diversity and access in wholesale FICC markets by monitoring and acting on potential anti-competitive structures or behaviour. The FCA has published two major market studies on Investment and Corporate Banking and Asset Management, and introduced Fair, Reasonable and Non-Discriminatory pricing rules for financial benchmark use.

2.4 Strengthening benchmarks

Regulating key benchmarks

34 One of the catalysts for FEMR was the attempted manipulation of Libor and other benchmarks. Following these cases, UK authorities took prompt action by establishing the first regulatory regime for financial markets benchmarks.

35 The UK introduced two new regulated activities of 'administering' and 'contributing to' a specified benchmark.

(13) For the FCA's *Approach to Supervision* document see www.fca.org.uk/publication/corporate/our-approach-supervision.pdf.

(14) The FCA's cross-firm review on Algorithmic Trading Compliance in Wholesale Markets can be found at www.fca.org.uk/publications/multi-firm-reviews/algorithmic-trading-compliance-wholesale-markets.

(15) The FCA's thematic review on asset management firms and the risk of market abuse can be found at www.fca.org.uk/publications/thematic-reviews/tr15-1-asset-management-firms-and-risk-market-abuse.

HM Treasury also introduced a new criminal offence for manipulating a benchmark. The scope of this regime was initially limited to Libor, and expanded in 2014, following the FEMR recommendation to bring seven additional major FICC market benchmarks into the regime.

36 Recognising FEMR's call for a new supervisory approach and the systemic importance of certain financial benchmarks to financial markets, the FCA has sought to tackle the root causes of poor conduct by robustly supervising the administrators of, and contributors to, regulated benchmarks and by actively engaging and contributing to the development of domestic and international standards. Initial evidence published by the FCA regarding the effects of benchmark regulation on the ISDAFIX Rate (now the ICE Swap Rate) show positive impacts, citing greater representativeness of the benchmark, and increased market liquidity.⁽¹⁶⁾

37 In parallel to implementation and development of the UK regime, the FCA has played a key role in the EU work to create the European Benchmarks Regulation (EU BMR). The EU BMR, which came into effect on 1 January 2018 and largely supersedes the UK regime, has a wider scope and together with the Market Abuse Regime (MAR), provides a strong regulatory framework for benchmark users, administrators and contributors. Globally, the FCA has been influential in setting standards, as a member of ESMA's taskforce and committees and co-chair of International Organization of Securities Commissions (IOSCO) and FSB committees.

Catalysing the market to transition to risk-free rates

38 Following cases of attempted manipulation of global reference rates, the FSB recommended the development and adoption of alternative near risk-free benchmarks. The UK has made significant progress in convening the market to overcome the co-ordination challenges in preparing for a broad-based transition away from Libor.

39 In the UK, the market-led Working Group on Sterling Risk-Free Reference Rates⁽¹⁷⁾ (RFRs) was set up by the Bank in 2015 to take this work forward. In April 2017, the Working Group announced SONIA as their preferred near risk-free interest rate benchmark for use in sterling derivatives and relevant financial contracts.

40 In July 2017, the CEO of the FCA publicly highlighted concerns regarding the long-term sustainability of Libor.⁽¹⁸⁾ The FCA secured voluntary agreement from panel banks to sustain Libor until end-2021 such that transition to RFRs can take place, with the intention that 'at the end of this period, it would no longer be necessary for the FCA to persuade, or compel, banks to submit to Libor'.

41 In October 2017, the FSB recognised that, although steps had been taken to strengthen interbank offered rates both by administrators and regulators, the integrity and robustness of benchmarks remained a challenge. Its report outlined that underlying reference transactions in some currency-tenor combinations are scarce and submissions therefore remain based on a mixture of factors including judgement by submitters.⁽¹⁹⁾

42 In light of all these developments, the Bank and FCA announced the next phase of work with market participants on Libor transition. In January 2018, the Working Group on Sterling Risk-Free Rates was given an extended mandate to catalyse a broad-based transition to SONIA across sterling bond, loan and derivative markets; and broadened participation to include investment managers, non-financial corporates and other sterling issuers, infrastructure firms and trade associations, alongside banks and dealers. There are now over 90 firms involved in this market-led work.

43 A key priority for the Working Group is to make recommendations relating to the potential development of term SONIA reference rates. This work is already under way and a public consultation is planned for 2018. Other priorities include publishing milestones for the transition in sterling markets, international co-ordination and defining transition metrics by which to monitor the progress and evolution of the market.

44 In March 2018, the Bank published a *Quarterly Bulletin* article⁽²⁰⁾ that presents analysis on activity in sterling unsecured money markets. Activity is heavily concentrated in the overnight tenor that underlies the SONIA benchmark. Term deposits, which form the basis for Libor, are scarce and average interest rates are volatile. These findings reflect a fundamental change in bank funding models and substantiate the need for benchmark transition.

45 Several other developments have taken place since 2017 Q4: the Bank has taken on the administration of SONIA and implemented reforms to enhance the robustness of this critical benchmark; a major CCP announced the clearing of OIS swaps up to 51 years; and exchanges have announced the launch of futures contracts referencing SONIA and other RFRs.

(16) The FCA's Occasional Paper on benchmark regulation and market quality can be found at www.fca.org.uk/publications/occasional-papers/no-27-benchmark-regulation-market-quality.

(17) The Terms of Reference for the Working Group on Sterling Risk-Free Reference Rates can be found at www.bankofengland.co.uk/-/media/boe/files/markets/benchmarks/rfr-terms-of-reference.pdf.

(18) For Andrew Bailey's speech see www.fca.org.uk/news/speeches/the-future-of-libor.

(19) The FSB's report on reforming major interest rate benchmarks can be found at www.fsb.org/2017/10/reforming-major-interest-rate-benchmarks-4/.

(20) See Harris, R and Taylor, T (2018), 'Sterling money markets: beneath the surface', *Bank of England Quarterly Bulletin*, 2018 Q1.

46 However, amending existing contractual 'fallback' arrangements to determine a replacement rate in the event Libor is discontinued remains a challenge. In derivatives, ISDA continues to lead a working group to determine a fallback based on RFRs. Work is also under way in the bonds and loans markets to include the appropriate fallback clauses.

47 Increased focus will be needed from all industry participants to propose and implement solutions to the challenges presented by the transition, and collectively drive a successful outcome. Addressing the challenges in relation to legacy trades will be critical. Equal importance needs also to be given by all market participants to adopting, and building the liquidity of, risk-free rates.

3 Conclusions

48 Firms and the authorities have made significant progress in implementing the recommendations of FEMR. Our efforts are starting to have a positive impact in making markets fairer and more effective. A lot has been achieved but we cannot afford to let up on sustaining progress on this agenda. The rapid technological and structural innovation in FICC markets means an ongoing approach to risk identification and mitigation is crucial.

49 Industry must take a leading role in monitoring developments and ensuring that market infrastructures and practices keep pace with innovation. The authorities stand ready to support industry's efforts in this regard and catalyse reform held back by private sector co-ordination failures.

50 The Bank will continue to focus on issues affecting the effectiveness of FICC markets. The Bank will also continue to support the move to risk-free rates and the development of industry codes.

51 The FCA will continue to take a forward looking and strategic approach to its supervisory work, which will be greatly enhanced in future by improved new regulation for FICC markets and benchmarks, and the strengthened and expanded accountability regime which from 2019 will apply to all authorised financial services firms in the UK.

52 HM Treasury will keep under review the open FEMR recommendations relating to new legislation and assess the case for action following the settlement of the UK's new relationship with the European Union.

53 The Markets Forum 2018 will bring together a diverse group of leaders from across industry and the authorities. We hope this event will provide an opportunity to engage in open dialogue on changing market structures, the emerging risks and challenges, and how industry and the authorities can continue to work together to address vulnerabilities.